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THE FRENCH MARKET CORPORATION, INC.

AN ENTERPRISE FUND OF THE CITY OF NEW ORLEANS

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-21-99

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LUTHER C. SPEIGHT & COMPANY

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INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
The French Market Corporation, Inc.

We have audited the accompanying balance sheet of the French Market Corporation, Inc. (the Market), an enterprise fund of the City of New Orleans, as of December 31, 1998 and 1997, and the related statement of revenue, expenses and changes in retained earnings and its cash flows for the years then ended. These financial statements are the responsibility of the Market's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in NOTE 1, the financial statements present only the activities of the French Market Corporation and are not intended to present fairly the financial position, results of operations and cash flows of the City of New Orleans in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the French Market Corporation, Inc. as of December 31, 1998 and 1997, and the results of its operations and changes in its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 14 through 22 is presented for purposes of additional analyses and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New Orleans, Louisiana
June 11, 1999

FRENCH MARKET CORPORATION, INC.
BALANCE SHEET
AS OF DECEMBER 31, 1998
(With Comparative Totals at December 31, 1997)

ASSETS	1998	1997
CURRENT ASSETS:		
CASH	\$ 258,238	\$ 371,195
INVESTMENTS	204,894	195,595
RECEIVABLES:		
TRADE(net)	113,172	119,747
OTHER	122,775	99,455
TENANT ADVERTISING	15,037	14,079
PREPAID EXPENSES	<u>34,117</u>	<u>40,230</u>
TOTAL CURRENT ASSETS	748,233	840,301
RESTRICTED BOND FUND INVESTMENTS		
DEBT SERVICE	112,758	101,942
OPERATION AND MAINTENANCE	1,308,336	1,331,338
DEBT SERVICE RESERVE	261,000	261,000
MAINTENANCE RESERVE	50,168	50,197
BOND REDEMPTION	0	0
CAPITAL IMPROVEMENTS	<u>1,422,717</u>	<u>1,513,837</u>
TOTAL RESTRICTED ASSETS	3,154,979	3,258,314
PROPERTY, PLANT, AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	<u>7,099,139</u>	<u>6,920,414</u>
OTHER ASSETS:		
UTILITY DEPOSITS	9,972	8,941
OTHER	<u>111</u>	<u>0</u>
TOTAL OTHER ASSETS	<u>10,083</u>	<u>8,941</u>
TOTAL	\$ <u><u>11,012,434</u></u>	\$ <u><u>11,027,970</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRENCH MARKET CORPORATION, INC.
BALANCE SHEET (CONTINUED)
AS OF DECEMBER 31, 1998
(With Comparative Totals at December 31, 1997)

LIABILITIES AND FUND EQUITY	1998	1997
LIABILITIES		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	\$ 70,289	\$ 74,010
ACCRUED EXPENSES	232,980	204,390
OTHER LIABILITIES	9,747	13,012
RENTAL DEPOSITS	70,303	70,680
DUE TO CITY AGENCIES-NET	100,000	50,390
DEFERRED REVENUES	11,072	14,834
ACCRUED INTEREST PAYABLE	1,927	2,775
CURRENT PORTION OF REVENUE BONDS PAYABLE	<u>190,000</u>	<u>170,000</u>
TOTAL CURRENT LIABILITIES	<u>686,318</u>	<u>600,091</u>
LONG-TERM DEBT:		
REVENUE BONDS PAYABLE	<u>195,000</u>	<u>385,000</u>
TOTAL LIABILITIES	<u>881,318</u>	<u>985,091</u>
FUND EQUITY:		
CONTRIBUTED CAPITAL	<u>2,894,261</u>	<u>2,894,261</u>
RETAINED EARNINGS:		
RESERVE PER BOND INDENTURE	<u>3,154,979</u>	<u>3,258,314</u>
RESERVE FOR CAPITAL IMPROVEMENTS	<u>1,821,412</u>	<u>971,412</u>
TOTAL RESERVES	<u>4,976,391</u>	<u>4,229,726</u>
UNRESERVED	<u>2,260,464</u>	<u>2,918,892</u>
TOTAL FUND EQUITY	<u>10,131,116</u>	<u>10,042,879</u>
 TOTAL	 <u>\$ 11,012,434</u>	 <u>\$ 11,027,970</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRENCH MARKET CORPORATION, INC.
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN RETAINED
EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1998
(With Comparative Totals at December 31, 1997)

	1998	1997
OPERATING REVENUES:		
RENTAL INCOME	\$ 5,036,473	\$ 4,992,268
OTHER INCOME	714,256	703,280
TOTAL OPERATING REVENUES	<u>5,750,729</u>	<u>5,695,548</u>
OPERATING EXPENSES:		
GENERAL AND ADMINISTRATIVE	778,344	775,697
SHOPPING CENTER	1,290,636	1,236,047
FARMERS'/FLEA MARKET	614,866	655,164
PARKING LOTS	754,407	742,605
TENANT ADVERTISING	610,432	672,662
VISITOR'S CENTER	90,309	115,360
WASHINGTON ARTILLERY PARK	153,755	194,306
DEPRECIATION	573,591	588,671
BAD DEBT EXPENSE	32,259	0
TOTAL OPERATING EXPENSES	4,898,599	4,980,512
OPERATING INCOME	852,130	715,036
NONOPERATING REVENUE/(EXPENSES)		
INTEREST INCOME	163,457	153,752
BOND INTEREST	(27,350)	(37,800)
TOTAL NONOPERATING EXPENSES	<u>136,107</u>	<u>115,952</u>
NET INCOME	988,237	830,988
(INCREASE)DECREASE IN RESERVED		
RETAINED EARNINGS PER BOND INDENTURE	103,335	(352,500)
RESERVE FOR CAPITAL IMPROVEMENTS	(850,000)	(400,000)
NET CHANGE IN UNRESERVED RETAINED EARNINGS	241,572	78,488
RETAINED EARNINGS - UNRESERVED, BEGINNING OF YEAR	2,918,892	3,340,404
DISTRIBUTIONS (Note 9)	<u>(900,000)</u>	<u>(500,000)</u>
RETAINED EARNINGS - UNRESERVED, END OF YEAR	<u>\$ 2,260,464</u>	<u>\$ 2,918,892</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

FRENCH MARKET CORPORATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998
(With Comparative Totals at December 31, 1997)

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
OPERATING INCOME	\$ 852,130	\$ 715,036
RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES:		
DEPRECIATION	573,591	588,671
BAD DEBT EXPENSE	32,259	0
CHANGES IN ASSETS AND LIABILITIES:		
NET RECEIVABLES	(17,703)	(6,493)
PREPAID EXPENSES	6,113	(1,306)
UTILITY DEPOSITS	(1,031)	500
INVENTORY	0	4,866
OTHER ASSETS	(111)	1,887
ACCOUNTS PAYABLE	(3,721)	(82,151)
ACCRUED EXPENSES	28,590	41,349
OTHER LIABILITIES	(3,265)	4,822
RENTAL DEPOSITS	(377)	5,538
DEFERRED REVENUES	(3,762)	(10,901)
DUE TO OTHER AGENCIES	49,610	25,903
ACCRUED INTEREST PAYABLE	(848)	(900)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>1,511,475</u>	<u>1,286,821</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
PAYMENTS FOR CAPITAL ACQUISITIONS	(42,542)	(36,631)
INTEREST ON INVESTMENTS	163,457	153,752
PURCHASE OF INVESTMENTS	(5,777,931)	(4,286,856)
SALE OF INVESTMENTS	<u>4,229,934</u>	<u>3,198,000</u>
Net Cash (Used) Provided in Investing Activities	<u>(1,427,082)</u>	<u>(971,735)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
BOND PRINCIPAL REPAYMENTS	(170,000)	(180,000)
INTEREST PAID	<u>(27,350)</u>	<u>(37,800)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(197,350)</u>	<u>(217,800)</u>
Net (Decrease) Increase in Cash	(112,957)	97,286
Cash, Beginning of Year	<u>371,195</u>	<u>273,909</u>
Cash, End of Year	<u>\$ 258,238</u>	<u>\$ 371,195</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**FRENCH MARKET CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – The French Market Corporation, Inc. (the Market) was formed January 1, 1972, by the City of New Orleans to provide for the operation and maintenance of the French Market Properties owned by the City of New Orleans. These properties include five buildings and the Farmers Market. The Market is a non-profit corporation that is owned by the City of New Orleans and administered by a Board of Directors consisting of twelve members appointed by the Mayor of New Orleans.

Basis of Accounting – The Market falls under the enterprise fund accounting method as described by Governmental Accounting, Auditing and Financial Reporting (GAAFR) principles which utilizes the accrual basis of accounting for financial purposes.

The financial statements of the Market are not intended to and do not present either the financial position, or results of operations of the City of New Orleans.

Restricted Investments – Pursuant to the official bond indenture, certain special accounts were established to segregate the receipt, investment and disbursement of funds legally restricted for the specific purpose of each special account.

- Bond Revenue Fund

All funds collected by the Market are deposited in the Revenue Fund. The funds on deposit in the Revenue Fund are transferred to the other special accounts as required by the bond indenture.

- Debt Service Account

Funds held for the credit of this fund are used for the payment of bond principal and interest on the payment dates established by the Indenture agreement.

- Operation and Maintenance Account

Funds held for the credit of the Operation and Maintenance Fund are used to pay the operating expenses of the Market.

- Debt Service Reserve Account

Funds held for the credit of the Debt Service Reserve Fund shall be transferred by the Trustee to the Debt Service Fund in such amount as may be necessary to pay the principal and interest on the bonds as the same respectively become due and payable whenever the funds held for the credit of the Debt Service Fund are insufficient.

- Maintenance Reserve Account

Funds held for the credit of the Maintenance Reserve Fund shall be held as a reserve for the purpose of paying the cost of emergency of major repairs, renewals and replacements with respect to the Market. Such costs are necessary for the safe or efficient operation of the Market or to prevent loss of revenue.

- Bond Redemption Account

Funds held for the credit of the Bond Redemption Fund shall be used for the redemption of bonds.

- Capital Improvement Account

Funds held for the credit of the Capital Improvement Fund shall be used to pay the cost of capital improvement projects made to the Market's properties.

Investments – All investments, restricted and unrestricted, are stated at cost, which approximates market.

Tenant Advertising – The lease agreement with most tenants provides that a sum equal to 1% of gross sales shall be paid by the tenants to the Market for the purpose of providing advertising, publicity and general business promotion of the Market. The Market must place all funds obtained from tenants for advertising in a trust to be used solely for the purpose previously stated.

Property, Plant and Equipment – Property, plant and equipment are recorded at cost. Maintenance and repairs are charged to operations as incurred, whereas significant renewals and betterments are capitalized. Deductions are made from property, plant and equipment for retirements.

Property, plant and equipment is depreciated on a straight-line basis over the following estimated useful lives of the assets:

Building and Improvements	10 – 50 years
Furniture, Fixtures, and Equipment	5 – 10 years
Vehicles	5 years

Accounts Receivable – It is the practice of management to provide an allowance for any account which in management’s opinion may not be collectible based upon a review of the current status of existing receivables.

Vacation and Sick Leave – All full-time classified employees of the Market hired prior to January 1, 1979 are permitted to accrue a maximum of 90 days of vacation (annual leave) and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Employees hired after December 31, 1978 can accrue a maximum of 45 days of annual leave and an unlimited number of sick leave. Upon termination of employment, an employee is paid for accrued annual leave based upon current hourly rate of pay and for accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting accrued sick leave to additional years of service.

Income Taxes – The Market is owned by the City of New Orleans, and as such, no federal or state income taxes are assessed.

Reclassifications – Certain amounts have been reclassified for comparative purposes. Such reclassifications had no effect on net income for the respective years.

2. CASH

As of December 31, 1998, the Market had the following cash accounts and related FDIC insurance or other types of collateral to secure the Market's accounts.

<u>INSTITUTION AND ACCOUNT</u>	<u>BOOK BALANCE</u>	<u>BANK BALANCE</u>	<u>AMOUNT OF DEPOSITORY INSURANCE OR COLLATERAL</u>
<u>BANK ONE</u>			
69040-05-874	\$ 175,567	\$ 169,446	\$ 169,446
69040-04-840	81,971	648,616	648,616
CASH ON HAND	<u>700</u>	<u>-</u>	<u>-</u>
TOTAL	\$ 258,238	\$ 818,062	\$ 818,062

3. INVESTMENTS

The investments of the Market at December 31, 1998 consist of the following:

General Fund Investments	\$ 204,894
Restricted Bond Fund Investments	<u>3,154,979</u>
TOTAL	\$ <u>3,359,873</u>

State statutes authorize the City of New Orleans and all subdivisions, except for the Pension Trust Fund, to invest in U.S. bonds, treasury notes, and other federally-insured investments. The City of New Orleans also may invest in repurchase agreements secured by U.S. Government obligations.

The Market's investments are categorized below to give an indication of the level of risk assumed by the Market at year end. Category 1 includes investments that are insured or registered for which the securities are held by the Market or its agent in the Market's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the Market's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution or by its trust department, or agent, but not in the Market's name.

	<u>CATEGORY</u>			<u>CARRRYING</u>	<u>MARKET</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>VALUE</u>	<u>VALUE</u>
Short-term Government Securities	\$ 3,359,873	\$ 0	\$ 0	\$ 3,359,873	\$ 3,359,873

4. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following:

	<u>1998</u>	<u>1997</u>
Building and Improvements	\$ 10,224,581	\$ 9,556,869
Market and Stall Equipment	365,046	375,991
Parking Lot	575,532	568,887
Office Equipment	145,592	135,111
Furniture and Fixtures	43,754	38,874
Vehicles	74,736	62,192
Visitors Center Equipment	25,844	25,844
Ursuline Floodwall Gate	472,398	472,399
Construction in Progress	<u>102,359</u>	<u>102,570</u>
Sub-total	12,029,842	11,338,736
Accumulated Depreciation	(4,930,704)	(4,418,322)
Net Property, Plant, and Equipment	\$ <u>7,099,139</u>	\$ <u>6,920,414</u>

Depreciation charge to expense was \$ 573,591 and \$ 588,671 for 1998 and 1997 respectively.

5. REVENUE BONDS PAYABLE

Revenue Bond Payable consists of the following at December 31,:

	1998		1997	
	<u>Current</u>	<u>Long-Term</u>	<u>Current</u>	<u>Long-Term</u>
6% First leasehold mortgage revenue bonds, dated June 1, 1973, due in annual principal installments ranging from \$90,000 to \$205,000 beginning June 1, 1977, final payment due June 1, 2000	\$ 190,000	\$195,000	\$170,000	\$385,000

The principal payments due on the Revenue Bonds are as follows:

<u>YEARS ENDING DECEMBER 31,</u>	<u>PRINCIPAL AMOUNT OF BONDS TO BE LIQUIDATED</u>
1999	\$ 190,000
2000	<u>195,000</u>
TOTAL	\$ <u>385,000</u>

The indenture, under which the revenue bonds were issued, provides for the establishment of certain restricted accounts (See NOTE 1).

The interest expense necessary to meet the above bond obligation is \$ 27,350 for the year ending December 31, 1998.

The bond indenture agreement requires that funds be deposited into the Debt Service Account monthly to cover bond principal and interest payments as they become due.

6. MINIMUM FUTURE RENTALS

The Market has entered into rental agreements which require the tenant to pay the market minimum monthly rental payments plus contingent rentals. These operating leases expire in various years through the year 2003.

Minimum future rentals to be received under the various operating leases as of December 31, 1998 for each of the next five (5) years and the sum of all leases expiring subsequent to 2003 in the aggregate are:

<u>YEARS ENDING DECEMBER 31,</u>	<u>AMOUNT</u>
1999	\$1,005,887
2000	680,392
2001	461,341
2002	411,626
2003	<u>248,383</u>
TOTAL	<u>\$2,807,629</u>

Minimum future rentals do not include the service of any options that may be available to the various tenants.

Minimum future rentals also do not include any contingent rentals that may be received under the lease agreements or other rentals. Contingent rentals received in 1998 and 1997 were \$ 652,105 and \$ 637,673; respectively.

7. TRADE RECEIVABLES (NET)

Trade receivables are presented net of allowance for doubtful accounts, which total \$ 113,172 for 1998. The Market's tenants are assessed penalties for various instances of non compliance with their respective lease terms, including late payments. The allowance for doubtful accounts is substantially comprised of these penalty balances. Due to the age of these balances, collection of the full amounts owed are doubtful.

8. WASHINGTON ARTILLERY PARK

In January 1997, the newly renovated Washington Artillery Park reopened to provide a place where locals and visitors can find news, information, and 24-hour public restrooms. The park had been transferred from City agency to City agency in the past. Now that the park has been revitalized the French Market Corporation will provide resources to meet future maintenance needs of the park.

9. DISTRIBUTIONS

The French Market Corporation distributed \$ 900,000 to the City of New Orleans. This amount represents a distribution of unreserved retained earnings of the French Market Corporation.

10. SUBSEQUENT EVENT

Subsequent to the December 31, 1998 year – end, the French Market Corporation issued bonds in the amount of \$ 1,750,000, for the construction of a new parking lot. The maturity date of the bonds is May 1, 2004.

11. YEAR 2000 ISSUE (Unaudited)

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Market's operations as early as 1999. Since the Year 2000 issue is unprecedented, its effects and the success of any remediation efforts by management will not be fully determinable until the year 2000 and thereafter.

FRENCH MARKET CORPORATION, INC.
 SCHEDULE OF RENTAL INCOME
 FOR THE YEAR ENDED DECEMBER 31, 1998
 (WITH COMPARATIVE TOTALS AT DECEMBER 31, 1997)

DESCRIPTION	1998			1997		
	MINIMUM	PERCENTAGE	TOTAL	MINIMUM	PERCENTAGE	TOTAL
BUILDING " A "						
CAFÉ DU MONDE	\$ 45,252	\$ 212,659	\$ 257,911	\$ 45,252	\$ 220,620	\$ 265,872
AUNT SALLY'S	60,512	154,888	215,400	60,512	158,085	218,597
COOKERY	26,475	658	27,133	13,238	7,244	20,482
MERRY CHRISTMAS	18,600	13,006	31,606	18,600	14,142	32,742
THE GIFT SHOP	30,000	7,623	37,623	30,000	4,290	34,290
EVANS	48,488	0	48,488	48,488	0	48,488
THE QUILT SHOP	25,500	491	25,991	25,500	0	25,500
CADEAUX EXPRESS	26,400		26,400	26,400	0	26,400
TOTAL BUILDING " A "	281,227	389,325	670,552	267,990	404,381	672,371
BUILDING " B "						
LITTLE TOY SHOP	23,787	26,114	49,901	23,787	21,226	45,013
ART TO WEAR	17,550	18,711	36,261	17,550	0	17,550
COTTON CABANNA CLUB	18,090	5,170	23,260	16,862	25,594	42,456
BIJOUTERIE	18,900	0	18,900	18,900	0	18,900
OLDE MARKET YOGURT	4,617	0	4,617	0	0	0
940 DECATUR CAFÉ	5,700	0	5,700	17,100	1,564	18,664
LIBERTY BANK	8,384	0	8,384	4,890	2,867	7,757
IT'S OUR SECRET	10,162	165	10,327	10,162	472	10,634
HEAD TO TOE	14,700	7,780	22,480	14,700	8,713	23,413
JAZZ & THINGS	17,050	133	17,183	17,050	0	17,050
TOTAL BUILDING " B "	\$ 138,940	\$ 58,073	\$ 197,013	\$ 141,001	\$ 60,436	\$ 201,437

SEE AUDITORS REPORT ON SUPPLEMENTARY INFORMATION

FRENCH MARKET CORPORATION, INC.
 SCHEDULE OF RENTAL INCOME (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 1998
 (WITH COMPARATIVE TOTALS AT DECEMBER, 1997)

DESCRIPTION	1998		1997	
	MINIMUM	PERCENTAGE TOTAL	MINIMUM	PERCENTAGE TOTAL
BUILDING " C "				
BELLA LUNA	\$ 61,992	\$ 165,361	\$ 61,992	\$ 136,997
NATIONAL PARK SERVICE	48,544	48,544	48,510	48,510
TOTAL BUILDING " C "	110,536	165,361	110,502	136,997
BUILDING " D "				
GAZEBO	64,719	0	64,720	0
CRAFT'S BAZAAR	25,600	17,650	25,600	21,905
MARKET CAFÉ	81,477	8,003	80,025	6,641
SHOPPING CARTS	0	0	7,050	0
TOTAL BUILDING " D "	171,796	25,653	177,395	28,546
BUILDING " E "				
CAFÉ GUMBOLAYA	65,811	2,546	64,380	7,312
ESKEW VOGT	2,088	0	17,895	0
TOTAL BUILDING " E "	\$ 67,899	\$ 2,546	\$ 82,275	\$ 7,312
		\$ 70,445		\$ 89,587

SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

FRENCH MARKET CORPORATION, INC.
 SCHEDULE OF RENTAL INCOME (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 1998
 (WITH COMPARATIVE TOTALS AT DECEMBER 31, 1997)

DESCRIPTION	1998		1997	
	MINIMUM	PERCENTAGE	MINIMUM	PERCENTAGE
OTHER RENTALS:				
PARKING LOTS	\$ 1,742,399	0	\$ 1,678,068	0
FARMERS' MARKET	221,425	0	231,153	0
FLEA MARKET	1,661,293	0	1,666,211	0
TOTAL OTHER RENTALS	<u>3,625,117</u>	<u>0</u>	<u>3,575,432</u>	<u>0</u>
TOTAL RENTAL INCOME	<u>\$ 4,395,515</u>	<u>\$ 640,958</u>	<u>\$ 4,354,595</u>	<u>\$ 637,673</u>
				<u>\$ 4,992,268</u>

FRENCH MARKET CORPORATION, INC.
SCHEDULE OF OTHER INCOME
FOR THE YEAR ENDED DECEMBER 31, 1998
(WITH COMPARATIVE TOTALS AT DECEMBER 31, 1997)

<u>DESCRIPTION</u>	<u>1998</u>	<u>1997</u>
COMMON AREA ASSESSMENTS	\$ 362,004	\$ 378,429
TENANT ADVERTISING CHARGES	188,396	189,798
KIOSK	36,000	36,000
VISITORS CENTER SALES	4,982	7,210
MISCELLANEOUS	<u>122,874</u>	<u>91,843</u>
TOTAL OTHER INCOME	\$ <u>714,256</u>	\$ <u>703,280</u>

SEE ACCOMPANYING AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

FRENCH MARKET CORPORATION, INC.
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1998 AND 1997

DESCRIPTION	1998	1997
GENERAL AND ADMINISTRATIVE:		
PERSONAL SERVICES	\$ 389,969	\$ 404,767
CONTRACTUAL SERVICES	346,111	331,010
SUPPLIES AND MATERIALS	42,264	39,921
TOTAL GENERAL AND ADMINISTRATIVE	<u>778,344</u>	<u>775,698</u>
SHOPPING CENTER:		
PERSONAL SERVICES	667,645	703,303
CONTRACTUAL SERVICES	561,963	448,846
SUPPLIES AND MATERIALS	61,028	83,898
TOTAL SHOPPING CENTER	<u>1,290,636</u>	<u>1,236,047</u>
FARMERS/FLEA MARKET:		
PERSONAL SERVICES	402,603	410,855
CONTRACTUAL SERVICES	185,531	220,555
SUPPLIES AND MATERIALS	26,732	23,754
TOTAL FARMERS/FLEA MARKET	<u>614,866</u>	<u>655,164</u>
MOONWALK / ELYSIAN FIELDS PARKING LOTS:		
CONTRACTUAL SERVICES	754,407	742,605
TOTAL PARKING LOTS	<u>754,407</u>	<u>742,605</u>
TENANT ADVERTISING:		
CONTRACTUAL SERVICES	610,432	672,662
TOTAL TENANT ADVERTISING	<u>610,432</u>	<u>672,662</u>
VISITORS CENTER:		
PERSONAL SERVICES	81,205	97,333
CONTRACTUAL SERVICES	8,897	17,808
SUPPLIES AND MATERIALS	207	219
TOTAL VISITORS CENTER	<u>90,309</u>	<u>115,360</u>
WASHINGTON ARTILLERY PARK:		
PERSONAL SERVICES	65,789	77,032
CONTRACTUAL SERVICES	83,138	110,000
SUPPLIES AND MATERIALS	4,828	7,273
TOTAL WASHINGTON ARTILLERY	<u>153,755</u>	<u>194,305</u>
DEPRECIATION	<u>573,591</u>	<u>588,671</u>
BAD DEBT EXPENSE	<u>32,259</u>	<u>0</u>
TOTAL OPERATING EXPENSES	\$ <u>4,898,599</u>	\$ <u>4,980,512</u>

SEE ACCOMPANYING INDEPENDENT AUDITORS REPORT ON SUPPLEMENTARY INCOME

FRENCH MARKET CORPORATION, INC.
SCHEDULE OF ACCOUNTS RECEIVABLE - TRADE
AS OF DECEMBER 31, 1998 AND 1997

TENANT	RENTALS	COMMON AREA	TOTALS	
			1998	1997
ART TO WEAR	\$ 0	\$ 1,315	\$ 1,315	\$ 1,517
QUILT SHOP	0	1,990	1,990	0
AUNT SALLY'S PRALINES	16,427	4,724	21,151	17,424
CAFÉ DU MONDE	17,419	3,709	21,128	23,205
COOKERY N' ORLEANS STYLE	0	1,035	1,035	2,294
LITTLE TOY SHOP	2,752	1,857	4,609	3,714
BELLA LUNA RESTAURANT	14,701	7,367	22,068	24,409
GAZEBO	0	3,831	3,831	4,226
EVAN'S CREOLE CANDY	0	4,101	4,101	4,501
MERRY CHRISTMAS / ALL THAT JAZZ	(179)	673	494	1,489
CARRIBEAN CORNER	0	0	0	1,509
MEDITERRANEAN CAFÉ				4,024
HEAD TO TOE	758	1,332	2,090	1,081
IT'S OUR SECRET	0	680	680	751
OLD CRAFT COTTAGE				2,202
BIJOUTERIE	0	1,476	1,476	1,631
NATIONAL PARK SERVICE	4,046	0	4,046	4,044
ESKEW VOGT				3,535
LATIN HANDS	1,370	945	2,315	1,051
COTTON CABANA CLUB	15	1,309	1,324	1,451
ART ATTACK	96	233	329	277
CAFÉ GUMBOYALA	1,431	4,952	6,383	4,767
CADEAUX EXPRESS	0	2,065	2,065	2,284
AFRICAN ART	(185)	222	37	497
LIBERTY BANK	362	606	968	1,092
JAZZ & THINGS	0	1,452	1,452	1,471
WOODWORKS	0	248	248	131
LENNY'S NEWS STAND	0	0	0	2,261
FM GIFT SHOP	630	2,345	2,975	1,851
CRAFTS BAZAAR	0	0		1,219
OLDE MARKET YOGURT	673	674	1,347	0
MARKET CAFÉ	0	3,715	3,715	(161)
TOTAL ACCOUNTS RECEIVABLE- TRADE	\$ 60,316	\$ 52,856	\$ 113,172	\$ 119,747

TOTAL A/R DOES NOT INCLUDE DELINQUENT FEE PAYMENTS
RECEIVED FROM TENANTS SUBSEQUENT TO YEAR END.

SEE ACCOMPANYING AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

FRENCH MARKET CORPORATION, INC.
 SCHEDULE OF ACCOUNTS RECEIVABLE - OTHER
 FOR THE YEAR ENDED DECEMBER 31,1998
 (WITH COMPARATIVE TOTALS AT DECEMBER 31,1997)

<u>DESCRIPTION</u>	<u>1998</u>	<u>1997</u>
TENANTS	\$ 1,706	\$ 1,874
BELLSOUTH	8,300	108
W.J. MILLER ENT.	37	51
TMM GROUP	2	7
PARKING LOT	75,691	66,110
FARMER'S MARKET	1,243	292
BELL SOUTH	299	0
RUSSELL GORE	680	0
LA COCA COLA	726	0
UPPER PONTALBA	<u>34,091</u>	<u>31,013</u>
TOTAL ACCOUNTS RECEIVABLE - OTHER	<u>\$ 122,775</u>	<u>\$ 99,455</u>

SEE ACCOMPANYING AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

FRENCH MARKET CORPORATION, INC.
 SCHEDULE OF ACCOUNTS RECEIVABLE - TENANT ADVERTISING
 AS OF DECEMBER 31, 1998 AND 1997

<u>TENANT</u>	<u>1998</u>	<u>1997</u>
AUNT SALLY'S PRALINES	\$ 2,684	\$ 2,499
CAFÉ DU MONDE	3,632	3,318
QUILT SHOP	205	0
CAFÉ GUMBOLAYA	548	0
FRENCH MARKET CANDLE SHOP	0	0
COOKERY N' ORLEANS STYLE	195	145
MARKET CAFÉ	655	0
LITTLE TOY SHOP	592	455
BELLA LUNA RESTAURANT	3,311	3,596
GAZEBO	343	383
EVAN'S CREOLE CANDY	488	417
MERRY CHRISTMAS / ALL THAT JAZZ	497	183
CARRIBEAN CORNER	0	86
MEDITERRANEAN CAFÉ	0	545
HEAD TO TOE	248	201
IT'S OUR SECRET	152	118
OLD CRAFT COTTAGE	0	159
ART TO WEAR	47	128
BIJOUTERIE	107	93
LATIN HANDS	244	229
COTTON CABANA CLUB	122	71
CADEAUX EXPRESS	244	146
JAZZ AND THINGS	152	130
OLD MARKET YOGURT	66	399
ART ATTACKS	38	18
AFRICAN ART	(69)	43
FM GIFT SHOP	391	390
LIBERTY BANK	145	169
WOODWORKS	0	9
LENNY'S NEWS STAND	0	149
	<u>0</u>	<u>149</u>
TOTAL ACCOUNTS RECEIVABLE- TENANT ADVERTISING	\$ <u>15,037</u>	\$ <u>14,079</u>

SEE ACCOMPANYING AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

FRENCH MARKET CORPORATION, INC.
 SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
 RESTRICTED ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 1998 AND 1997

	BOND REVENUE	OPERATION AND MAINTENANCE	DEBT SERVICE	DEBT SERVICE RESERVE	MAINTENANCE RESERVE	BOND REDEMPTION	CAPITAL IMPROVE- MENTS	1998	1997
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 0	\$ 1,331,338	\$ 101,942	\$ 261,000	\$ 50,197	\$ 0	\$ 1,513,837	\$ 3,258,314	\$ 2,871,191
CASH RECEIPTS:									
Interfund Transfer	3,824,581	4,160,272	209,017	0	0	0	551,070	8,744,940	8,656,194
Capital Gain	0	0	0	0	0	0	0	0	0
Interest Received	0	54,287	4,537	12,176	2,325	0	80,902	154,227	144,653
TOTAL CASH RECEIPTS	3,824,581	4,214,559	213,554	12,176	2,325	0	631,972	8,899,167	8,800,847
TOTAL CASH AND CASH EQUIVALENTS AVAILABLE	3,824,581	5,545,897	315,496	273,176	52,522	0	2,145,809	12,157,481	11,672,038
CASH DISBURSEMENTS:									
Interfund Transfers	3,824,581	0	0	11,765	2,354	0	719,371	4,558,071	4,831,694
Principal Payments	0	0	198,200	0	0	0	0	198,200	180,000
Interest Payments	0	0	0	0	0	0	0	0	0
Transfers to Disbursements Cash Account	0	4,235,625	4,427	0	0	0	0	4,240,052	3,394,652
Trustee Fees	0	1,936	110	411	0	0	3,722	6,179	7,378
Other Disbursements	0	0	0	0	0	0	0	0	0
TOTAL CASH DISBURSEMENTS	3,824,581	4,237,561	202,737	12,176	2,354	0	723,093	9,002,502	8,413,724
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 0	\$ 1,308,336	\$ 112,759	\$ 261,000	\$ 50,168	\$ 0	\$ 1,422,716	\$ 3,154,979	\$ 3,258,314

SEE ACCOMPANYING AUDITORS REPORT ON SUPPLEMENTARY INFORMATION



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To: The Board of Directors of
The French Market Corporation, Inc.

We have audited the financial statements of the French Market Corporation, Inc. as of December 31, 1998 and 1997, and for the years then ended, and have issued our report thereon dated June 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the French Market Corporations' financial statements are free of material misstatement, we performed tests of the French Market Corporations' compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the French Market Corporations' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and the City of New Orleans. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "L. J. Bush Company". The signature is written in black ink and is positioned above the typed text.

New Orleans, Louisiana

June 11, 1999

**FRENCH MARKET CORPORATION
UPDATE OF PRIOR YEAR FINDINGS
DECEMBER 31, 1998**

There were no findings for this organization in the prior year.